

EXECUTIVE SUMMARY

Idaho's economy is expected to slow, but not stop or decline, over the forecast period. Nonfarm employment grew by 2.5% in 1998. While this was somewhat stronger than had been projected earlier, it was just below the national rate of 2.6%. (Due to a reclassification of about 3,600 realtor jobs from covered employment to self-employed, the 1998 growth rate has been artificially lowered. Without the reclassification, Idaho nonfarm job growth would have been 3.2% in 1998.) This marks the first time since 1987 that Idaho nonfarm employment growth lagged its national counterpart. Idaho nominal personal income rose slightly faster than its national counterpart in 1998, 5.1% versus 5.0%. This was welcome news given the state's struggle with low agricultural commodity prices last year. It should be noted that Idaho's economy will again grow faster than its national counterpart beginning this year. For instance, Idaho nonfarm employment is forecast to rise 2.9% this year, 2.4% next year, 1.9% in 2001, and 2.0% in 2002. On the other hand, U.S. nonfarm employment should increase 2.1% in 1999, 1.6% in 2000, 1.0% in 2001, and 1.1% in 2002. Idaho real total personal income is anticipated to rise 4.3% in 1999, 3.0% in 2000, 2.7% in 2001, and 2.8% in 2002. U.S. real total personal income is forecast to increase 3.5% this year, 2.6% next year, 1.9% in 2001, and 2.2% in 2002.

The U.S. economy continued its steady march this spring toward being the longest expansion. With less than a year to go and no major imbalances in sight, the old record of 106 straight months of growth set from February 1961 to December 1969 is expected to fall. Almost eight years into the current expansion, the economy still shows incredible strength. Real GDP, the broadest measure of the economy's strength, grew at a 4.3% annual rate in this year's first quarter. Noticeably absent, however, were the imbalances that foreshadow a recession. Most significantly, inflation remains in check. This being the case, the U.S. economy should continue expanding through 2002. Although the current forecast assumes there will not be a recession over the next few years, it is not entirely out of the realm of possibility. For example, DRI has prepared two alternative forecasts that include recessions. The near-term risk to the U.S. forecast continues to be a major stock market correction.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JULY 1999

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
GDP (BILLIONS)										
Current \$	6,558	6,947	7,270	7,662	8,111	8,511	8,947	9,246	9,605	10,044
% Ch	5.0%	5.9%	4.6%	5.4%	5.9%	4.9%	5.1%	3.3%	3.9%	4.6%
1992 Chain-Weighted	6,390	6,611	6,762	6,995	7,270	7,552	7,845	7,998	8,170	8,384
% Ch	2.3%	3.5%	2.3%	3.4%	3.9%	3.9%	3.9%	2.0%	2.1%	2.6%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	19,475	20,628	22,062	23,418	24,651	25,902	27,384	28,703	30,079	31,625
% Ch	10.0%	5.9%	7.0%	6.1%	5.3%	5.1%	5.7%	4.8%	4.8%	5.1%
Idaho Nonfarm (Millions)	18,339	19,979	21,371	22,644	23,958	25,255	26,687	27,998	29,354	30,871
% Ch	8.6%	8.9%	7.0%	6.0%	5.8%	5.4%	5.7%	4.9%	4.8%	5.2%
U.S. (Billions)	5,481	5,758	6,072	6,425	6,784	7,126	7,482	7,806	8,125	8,486
% Ch	4.3%	5.1%	5.5%	5.8%	5.6%	5.0%	5.0%	4.3%	4.1%	4.5%
PERSONAL INCOME - 1992 \$										
Idaho (Millions)	18,967	19,615	20,509	21,336	22,047	22,981	23,962	24,690	25,349	26,071
% Ch	7.2%	3.4%	4.6%	4.0%	3.3%	4.2%	4.3%	3.0%	2.7%	2.8%
Idaho Nonfarm (Millions)	17,861	18,998	19,867	20,631	21,427	22,407	23,351	24,083	24,738	25,449
% Ch	5.7%	6.4%	4.6%	3.8%	3.9%	4.6%	4.2%	3.1%	2.7%	2.9%
U.S. (Billions)	5,339	5,476	5,645	5,854	6,068	6,323	6,547	6,718	6,848	6,997
% Ch	1.6%	2.6%	3.1%	3.7%	3.6%	4.2%	3.5%	2.6%	1.9%	2.2%
HOUSING STARTS										
Idaho	11,456	12,768	9,360	9,218	8,866	10,123	9,891	9,881	9,870	9,758
% Ch	19.5%	11.5%	-26.7%	-1.5%	-3.8%	14.2%	-2.3%	-0.1%	-0.1%	-1.1%
U.S. (Millions)	1.292	1.446	1.361	1.469	1.476	1.623	1.640	1.509	1.487	1.514
% Ch	7.5%	12.0%	-5.9%	7.9%	0.5%	10.0%	1.0%	-8.0%	-1.4%	1.8%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	436.7	461.2	477.4	492.6	508.8	521.6	536.5	549.4	559.7	571.0
% Ch	4.8%	5.6%	3.5%	3.2%	3.3%	2.5%	2.9%	2.4%	1.9%	2.0%
U.S. (Millions)	110.7	114.1	117.2	119.6	122.7	125.8	128.5	130.5	131.9	133.3
% Ch	1.9%	3.1%	2.7%	2.1%	2.6%	2.6%	2.1%	1.6%	1.0%	1.1%
FINANCIAL MARKETS										
Federal Funds Rate	3.0%	4.2%	5.8%	5.3%	5.5%	5.4%	4.7%	4.8%	4.8%	4.8%
Bank Prime Rate	6.0%	7.1%	8.8%	8.3%	8.4%	8.4%	7.8%	7.7%	7.7%	7.7%
Mort Rate, New Homes	7.2%	7.5%	7.9%	7.8%	7.7%	7.1%	7.1%	7.3%	7.1%	6.8%
INFLATION										
GDP Price Deflator	2.6%	2.4%	2.3%	1.9%	1.9%	1.0%	1.2%	1.4%	1.7%	1.9%
Personal Cons Deflator	2.7%	2.4%	2.3%	2.0%	1.9%	0.8%	1.4%	1.7%	2.1%	2.2%
Consumer Price Index	3.0%	2.6%	2.8%	2.9%	2.3%	1.6%	2.1%	2.3%	2.5%	2.5%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the FIRST Quarter of 1999

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	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	8,800	8,907	9,004	9,076	9,136	9,212	9,280	9,356	9,466	9,559	9,645	9,751
% Ch	5.6%	5.0%	4.4%	3.2%	2.7%	3.4%	3.0%	3.3%	4.8%	4.0%	3.7%	4.5%
1992 Chain-Weighted	7,755	7,817	7,883	7,924	7,945	7,984	8,016	8,049	8,104	8,148	8,186	8,240
% Ch	4.1%	3.3%	3.4%	2.1%	1.1%	2.0%	1.6%	1.7%	2.8%	2.2%	1.9%	2.7%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	26,908	27,250	27,541	27,839	28,209	28,555	28,877	29,173	29,542	29,902	30,254	30,620
% Ch	3.7%	5.2%	4.3%	4.4%	5.4%	5.0%	4.6%	4.2%	5.2%	5.0%	4.8%	4.9%
Idaho Nonfarm (Millions)	26,192	26,554	26,847	27,153	27,513	27,853	28,168	28,457	28,837	29,182	29,518	29,879
% Ch	4.8%	5.6%	4.5%	4.6%	5.4%	5.0%	4.6%	4.2%	5.4%	4.9%	4.7%	5.0%
U.S. (Billions)	7,351	7,442	7,522	7,612	7,698	7,773	7,843	7,911	8,006	8,086	8,161	8,247
% Ch	5.2%	5.1%	4.4%	4.8%	4.6%	4.0%	3.7%	3.5%	4.9%	4.1%	3.8%	4.3%
PERSONAL INCOME - 1992 \$												
Idaho (Millions)	23,721	23,871	24,037	24,219	24,432	24,623	24,787	24,916	25,104	25,269	25,427	25,597
% Ch	2.6%	2.5%	2.8%	3.1%	3.6%	3.2%	2.7%	2.1%	3.0%	2.7%	2.5%	2.7%
Idaho Nonfarm (Millions)	23,091	23,261	23,431	23,622	23,829	24,018	24,178	24,306	24,505	24,660	24,809	24,978
% Ch	3.7%	3.0%	3.0%	3.3%	3.5%	3.2%	2.7%	2.1%	3.3%	2.6%	2.4%	2.8%
U.S. (Billions)	6,480	6,520	6,566	6,623	6,670	6,706	6,736	6,761	6,804	6,834	6,860	6,895
% Ch	4.1%	2.5%	2.8%	3.5%	2.9%	2.2%	1.8%	1.5%	2.6%	1.8%	1.5%	2.1%
HOUSING STARTS												
Idaho	10,015	9,950	9,802	9,795	9,823	9,867	9,907	9,926	9,900	9,878	9,858	9,845
% Ch	-17.6%	-2.6%	-5.8%	-0.3%	1.1%	1.8%	1.6%	0.8%	-1.1%	-0.9%	-0.8%	-0.5%
U.S. (Millions)	1.774	1.620	1.590	1.574	1.547	1.516	1.489	1.483	1.491	1.488	1.483	1.488
% Ch	18.5%	-30.4%	-7.2%	-4.0%	-6.7%	-7.8%	-7.0%	-1.6%	2.2%	-0.8%	-1.3%	1.4%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	531.6	534.9	538.3	541.2	545.0	548.3	551.0	553.1	555.7	558.5	561.1	563.7
% Ch	2.9%	2.6%	2.5%	2.2%	2.8%	2.5%	2.0%	1.5%	1.9%	2.0%	1.9%	1.9%
U.S. (Millions)	127.6	128.1	128.8	129.5	130.0	130.3	130.7	131.0	131.4	131.7	132.0	132.3
% Ch	2.4%	1.8%	2.0%	2.3%	1.4%	1.2%	1.0%	1.1%	1.1%	1.1%	0.8%	1.0%
FINANCIAL MARKETS												
Federal Funds Rate	4.7%	4.7%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.7%
Bank Prime Rate	7.8%	7.8%	7.8%	7.7%	7.7%	7.8%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Mort Rate, New Homes	6.9%	7.0%	7.3%	7.3%	7.3%	7.3%	7.3%	7.2%	7.1%	7.1%	7.0%	7.0%
INFLATION												
GDP Price Deflator	1.5%	1.6%	1.0%	1.2%	1.7%	1.4%	1.4%	1.6%	1.9%	1.8%	1.8%	1.7%
Personal Cons Deflator	1.1%	2.6%	1.5%	1.3%	1.8%	1.8%	1.9%	2.0%	2.1%	2.2%	2.2%	2.2%
Consumer Price Index	1.5%	3.8%	1.9%	2.0%	2.3%	2.3%	2.3%	2.5%	2.4%	2.6%	2.5%	2.5%

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